SENATE BUDGET COMMITTEE
DEMOCRATIC CAUCUS
KENT CONRAD, RANKING MEMBER

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GAO WARNS SENATE BUDGET COMMITTEE OF LONG-TERM DEFICITS, CAUTIONS AGAINST RELYING ON 10-YEAR PROJECTIONS

Senator Conrad Cites GAO Testimony in Calling Again For Fiscal Discipline

Washington - General Accounting Office (GAO) Comptroller General David Walker today warned the Senate Budget Committee that budget surplus projections are unreliable and that long-term budget deficits are looming due to the coming retirement of the baby boom generation. Senator Kent Conrad, the Ranking Democrat on the Senate Budget Committee, cited the testimony in calling again for fiscal discipline in developing a tax and budget plan.

"Comptroller General Walker's testimony confirms what we have been saying all along," said Senator Conrad. "Our country faces long-term budget deficits from the coming wave of retiring baby boomers. We have an obligation to prudently use the short-term surpluses we now enjoy to prepare ourselves for this coming wave. It would be irresponsible for us to push through a massive tax cut now, knowing that we will be saddling our children with massive deficits in the near future."

In referring to the looming long-term deficits, Walker testified that: "... while the projections for the 10-year period look better, the long-term outlook looks worse. Without a change in entitlement programs, demographics will overwhelm the surplus and drive us back into escalating deficits and debt."

Conrad further commended Walker for cautioning against the use of unreliable 10-year budget surplus projections in planning tax and spending policy. "Comptroller General Walker is exactly right," said Conrad. "As the CBO itself noted, the actual surplus we will face in 10-years is incredibly difficult to predict. In the fifth year alone, surplus projections range anywhere from $1 trillion in surplus to as much as $50 billion in deficit."

In referring to the unreliable budget forecasts, Walker testified that: "... these projections are based on a set of assumptions that may or may not hold – no one should design tax or spending policy pegged to the precise numbers in any 10-year forecast."

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Conrad went on to repeat his call for taking a balanced approach in developing a budget plan. “President Bush’s tax cut is just too big,” said Conrad. “It is so big that it could easily drive us back to the deficits of the 1980's, leading to higher interest rates and putting the strength of our economy at risk. We can and will have a significant tax cut this year. But it should be one that is affordable, one that is fair, one that leaves room for us to save for the retirement of the baby boom generation, and one that doesn’t drive us back into the deficit ditch we just climbed out of.

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